

Message Text

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17

ACTION SS-25

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R 231022Z OCT 74
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 2168
INFO AMEMBASSY ALGIERS
AMEMBASSY TOKYO
USMISSION EEC BRUSSELS
AMEMBASSY BEIRUT
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
/AMEMBASSY LONDON 467
AMEMBASSY JIDDA

C O N F I D E N T I A L ABU DHABI 1452

EXDIS

BEIRUT PASS BAGHDAD

E.O. 11652: XGDS-1
TAGS: ENRG, TC
SUBJECT: MINPET OTAIBA COMMENTS ON UAE OIL POLICY

1. I CALLED ON MINPET OTAIBA OCT. 22 AND ASKED HIM, SINCE HE IS
ACCOMPANYING SHAIKH ZAYID TO RABAT, WHAT HE SAW AS TRANSPIRING ON
THE OIL FRONT AT THE SUMMIT DISCUSSIONS.

2. OTAIBA SAID SAUDIS WERE EXPECTED TO PROPOSE LINKING OF LOWER-
ING OF OIL PRICES TO SETTLEMENT OF ARAB-ISRAEL CONFLICT. HE SAID HE
THOUGHT THE IDEA WAS WORTH PRONDERING. WHAT DID I THINK OF IT. I
SAID I COULD NOT GIVE HIM OFFICIAL USG POSITION SINCE I HAD NONE,
BUT PERSONALLY I HAD SOME MISGIVINGS. I DID NOT THINK USG NEEDED
ADDITIONAL INCENTIVE TO DO EVERYTHING POSSIBLE TO HELP PARTIES
NEGOTIATE SETTLEMENT. LSECRETARY'S TRIP TO AREA, HIS PROMISE TO RETURN
IN NOVEMBER, WERE ALL TESTIMONY TO IMPORTANCE US ATTACHED TO
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THIS OBJECTIVE. FURTHERMORE, COMING TO GRIPS WITH PROBLEM

OF OIL PRICES AND THEIR IMPACT ON WORLD ECONOMIC CONDITIONS SEEMED TO ME ALREADY DIFFICULT ENOUGH. WAS IT WISE TO INTRODUCE FURTHER COMPLICATING FACTOR THAT MIGHT REDUCE FLEXIBILITY OF OIL PRODUCERS TO TAKE ACTION THAT MIGHT BE IN THEIR INTEREST AS WELL AS WORLD'S, WHATEVER STATUS OF ARAB ISRAEL MIGHT BE?

3. OTAIBA SAID HE HAD NOT MADE UP HIS MIND ABOUT PROPOSAL. HOWEVER, HE WAS SORRY TO SEE YAMANI ALWAYS "ALONE" IN ARAB OIL COUNCILS. UAEG WOULD LIKE TO FIND SOME WAY OF GIVING SAUDIS SUPPORT. OTAIBA BELIEVED BEST COURSE FOR UAEG IN THESE MEETINGS WAS TO TAKE MIDDLE POSITION AND SEEK TO PLAY HARMONIZING ROLE. SAUDIS WANTED TO LOWER PRICES; EVERYBODY ELSE WANTED TO RAISE THEM; UAE THOUGHT FREEZING THEM AT PRESENT LEVEL WAS PROPER COURSE.

4. I ASKED OTAIBA WHAT HE THOUGHT OF ANOTHER IDEA WHICH WAS FLOATING AROUND OPEC CIRCLES--THAT OF LOWERING OF THE POSTED PRICE BUT RAISING TAXES ON EQUITY OIL TO GIVE THE GOVERNMENTS SAME TAKE. OTAIBA SAID "THAT'S ANOTHER ONE OF YAMANI'S SCHEMES." HE SAID HE DIDN'T THINK MUCH OF THIS ONE. HE CLAIMED WHAT YAMANI WAS PROPOSING WAS THAT RISE IN TAXES WOULD ALSO EMBODY FACTOR TO COMPENSATE FOR WORLD INFLATION. OTAIBA SAID PROPOSAL WOULD AMOUNT TO FURTHER RISE IN PRICE OF OIL FOR CONSUMERS. HE REITERATED THAT UAE WAS AGAINST THIS--IT WANTED TO HOLD PRICES AT PRESENT LEVEL.

5. I ASKED OTAIBA HOW HE SAW DEVELOPMENT OF GOVERNMENT-PRODUCER RELATIONSHIP IN UAE OVER NEXT 2-3 YEARS. HE REPLIED THAT UNFORTUNATELY IT WAS ENSHROUDED IN MUCH UNCERTAINTY. HE HAD BEEN QUITE HAPPY WITH 25/75 PARTICIPATION FORMULA BUT "UNFORTUNATELY" IN KUWAIT COMPANIES HAD CAVED TO GOVERNMENT'S DEMANDS AND MOVED TO 60/40 FORMULA. UAE HAD NO CHOICE BUT TO FOLLOW SUIT. NOW EVERYBODY WAS WAITING FOR SAUDIS. IF SAUDIS MOVED TO 100 PERCENT OWNERSHIP UAE WOULD AGAIN HAVE TO FOLLOW. WITH NOTE OF IMPATIENCE OTAIBA SAID HE DID NOT KNOW WHAT YAMANI WANTED. IN MEANTIME NEITHER THE COMPANIES HERE NOR THEIR OWNER-PARTNER THE GOVERNMENT HAD SUFFICIENT CONFIDENCE TO MAKE LONG-TERM DEVELOPMENT PLANS. OTAIBA SAID THIS WAS NOT SATISFACTORY CONDITION FOR LONG, AND ONE WAY OR ANOTHER OPEC MEETING IN DECEMBER WOULD HAVE TO FIND FORMULA FOR STABLE ARRANGEMENTS OVER LONGER PERIOD. PERSONALLY HE THOUGHT GOVERNMENTS SHOULD BE IN POSITION TO GIVE OPERATING COMPANIES AS WELL AS CONSUMERS FIRM ASSURANCES ON PARTICIPATION, PRODUCTION

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LEVEL AND PRICE FOR PERIOD OF YEAR. OPEC COULD MEET ONCE A YEAR TO SEE IF REVISIONS WERE WARRANTED.
STERNER

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